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PROGRAMME PLANNING

Country and intercountry programmes and projects

FIFTH COUNTRY PROGRAMME FOR NICARAGUA

Programme period	Actual resources programmed	$
January 1992-December 1996	IPF (net)	19 700 000 1/
	Estimated cost-sharing	48 100 000
	Total	67 800 000

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1/ Includes the IPF of $21.7 million less the negative carry-over from the fourth cycle, i.e., approximately $2 million. This figure represents an increase of $8.06 million over the current IPF of the fifth cycle, i.e., $13 646 million. The new IPF is based on preliminary information received from the World Bank, reflecting a revised per capita income for 1989 of $610. The final revised per capita income figure for Nicaragua might be lower than this figure. Consequently, the IPF may be different. The final IPF figure is subject to review by the Governing Council.

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I. DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES

A. Current socio-economic situation

1. The weak tradition of democracy and a decade of polarization, war, destruction of the infrastructure, and economic, technological and commercial embargo have had a negative impact on civilian life, institutional structures, the production system, the training of human resources, the financial and commercial system, regional and territorial development and the urban environment in most of the country's cities.

2. The population is estimated at 3.9 million inhabitants and is characterized by an annual growth rate of approximately 3.3% (one of the highest in Latin America). The average number of children per woman of childbearing age is 5.5, and 50% of the population is less than 16 years of age. There is a housing shortage of approximately 400 000 dwellings. Caloric intake is 16.5% lower than the mean established for the subregion. It is estimated that 25% of the population is illiterate. Combined unemployment and underemployment of the economically active population amount to 48%, and the share of the labour market occupied by women as compared with men is only 27%. As for infant mortality, 71 children die out of every 1000 born alive.

3. The peculiar distribution of the population at the start of the 1980s (an estimated 30% urban and 70% rural) changed substantially as a result of the war, which uprooted 612 000 persons (more than 15% of the population) from their territorial environments. The new composition (60% urban and 40% rural) has given rise to additional demands in the area of services, food supplies and training to meet new vocational needs, while at the same time there has been a decrease in resources connected with farm production, coupled with pressure for political and institutional change.

4. Recent World Bank projections have shown that the gross domestic product per capita for the year 1990 dropped to below US$ 400, which is 40% lower than that estimated in 1978. The foreign debt amounts to $9 995, i.e., over $2 560 per inhabitant. This amount, which is six times the GDP, shows Nicaragua to be the most heavily indebted country in the world. Debt service is several times higher than exports. The balance of payments deficit on current account ($370 million) amounts to more than 22% of the GDP, not taking into account debt service.

5. One of the most important aspects of the shift toward a market economy is the transformation of the private-enterprise sector. At the end of the 1980s, there existed 433 Government-run enterprises which employed 257 475 persons (22.85% of the economically active population) and absorbed 70% of the total volume of public investments. The restitution, sale or shareholder restructuring of enterprises currently being privatized are taking place through a complex negotiating process among workers, Government and investors.

6. An Occupational Reconversion Plan was begun in 1991 in an effort to cut down the excess size of the Government, and was jointed by 14 000 employees of

the central Government and autonomous organizations. Despite this, the public administration continues to be oversized and has little capacity for carrying out substantive public-management duties. This is due to a number of factors, such as the brain drain (9 000 out of 15 000 graduates), a nonexistent civil service and the weakness of the National Institute of Public Administration (INAP). In addition, the capacity to formulate, coordinate and follow up on development policies is limited by the inability to generate information.

7. Demographic trends, settlements on the agricultural frontier, changes in land use and ownership, urban sprawl and the general deterioration of the quality of life have accelerated the degradation of the environment.

8. In short, the present situation can be characterized as an unstable political equilibrium in which efforts are being made to rationalize the instruments of economic management and reactivate production and productivity, with emphasis on the creation of scenarios that will foster private initiative. While one cannot fail to recognize that factors of instability continue to exist, the population supports processes of reconciliation and economic and social concertation and has granted a respite for the results of the economic reforms.

B. National development objectives and strategies

9. Following an economic and social consultation process with all the union and private-sector organizations, the Government initiated the Stabilization and Structural Adjustment Plan in March 1991. Its objectives are to control inflation, stimulate exports, promote the ordering of taxes and credit, renew the price and wage structure, liberalize domestic and foreign trade, encourage productive private initiatives, reintroduce the country into the international financial community, and create conditions for the distribution of the social costs of the Plan among the society as a whole, with protection for the more vulnerable sectors.

10. During the first ten months of the Plan it was possible to stem the hyperinflationary process and maintain a stable exchange rate. This monetary stabilization, together with the payment of debt charges to multilateral financial institutions, will make it possible in 1992 to begin a programme of public investment and production financing that will energize the economic recovery process. Accords were also signed with the International Monetary Fund (IMF), and rapid mobilization of resources for sectoral structural adjustments from the World Bank (with International Development Association (IDA) funds) and the Inter-American Development Bank (IDB) is expected.

11. In November 1991 the Government presented the general outline of a short and medium-term development strategy aimed at (a) creating consistency among policies and increasing efficiency and efficacy in public spending, (b) rationalizing public investment and channeling resources in accordance with national priorities, (c) presenting a public investment programme within the framework of a national development strategy, and (d) promoting private investment, with the definition of clear rules and a set of guidelines to identify areas of opportunity.

12. The main objectives of this strategy are: (a) rapid, broad and sustainable growth based on the competitiveness of small and medium-sized enterprises on both the domestic and foreign markets; (b) equitable development through broader-based private initiative and the eradication of extreme poverty; (c) national integration of marginal regions (Atlantic Coast) and those affected by the war, in an effort to strike a balance between country and city; (d) sustainable development that rationalizes the relationship between the community and its environment; and (e) building of a civic ethic that calls for human rights, peaceful coexistence, respect for differences and the dignity of individuals, work and productivity.

II. EXTERNAL COOPERATION

A. Role of external cooperation

13. The external resources received by Nicaragua are being used to support the development strategy, to deepen pacification and democratization and to meet cooperation needs in four strategic areas: (a) macroeconomics; (b) modernization of the State; decentralization and privatization; (c) rehabilitation of the productive sector; and (d) eradication of poverty and support for the goals of the public investment programme, 1991-1993.

14. The table below shows the donations and loans received in 1991 (which represent an increase of 3.4 times with respect to 1990) by origin and use.

15. If we project the disbursements of external resources programmed in 1992 according to the use of the cooperation and maintain the same structure during the period 1993-1996, we obtain the following annual means: productive infrastructure: $127.1 million; economic infrastructure: $73.5 million; social infrastructure: $50 million; financial sector: $415.1 million; other sectors: $76.1 million; i.e., a total of approximately $741.8 million annually. It is anticipated that the principal external cooperation sources will be the Governments of the United States, the Nordic countries, the European Economic Community (EEC), IDB, the World Bank, IMF, the Central American Bank for Economic Integration, the United Nations system, Japan, Taiwan, Canada, Switzerland, Austria and the countries which make up the Group of Three (Venezuela, Mexico and Colombia).

16. During the past two years, UNDP collaboration has been directed toward supporting the pacification process; rehabilitating repatriates; creating mechanisms for the coordination, formulation and implementation of economic and social policies; modernizing key institutions in the public sector; and supporting the investment process in the farming and agribusiness sector.

17. Other agencies of the system have made contributions in such fields as: drinking water in rural areas; industrial revival; agricultural development - United Nations Capital Development Fund (UNCDF); health and nutrition; education; water and sanitation - United Nations Children's Fund (UNICEF); supplementary food and assistance to hospitals; rural development and dairy promotion - World Food Programme (WFP); mother and child care and family planning; education on population and collection of basic data - United

Nations Fund for Population Activities (UNFPA); integrated rural development - International Fund for Agricultural Development (IFAD); assistance and protection to refugees from other countries and Nicaraguan repatriates - Office of the United Nations High Commissioner for Refugees (UNHCR); technological improvement and modernization of agricultural and animal production through forestry projects, pest control, aquaculture, marketing, fishery statistics, surveillance of food and nutrition, soil conservation and promotion of the dairy industry - Food and Agriculture Organization of the United Nations (FAO); rehabilitation; immunization; nutrition; training of human resources for planning and administration in the field of health - Pan-American Health Organization (PAHO); experimental actions for improving the yields of certain crops and for diagnosing livestock diseases - International Atomic Energy Agency (IAEA); rehabilitation of disabled persons; encouragement of small businesses - International Labour Organization (ILO); basic and adult education - United Nations Educational, Scientific and Cultural Organization (Unesco); and technical support for the development of the Economic Plan - World Bank and International Monetary Fund (IMF).

DONATIONS AND LOANS, 1991

(Millions of dollars)

	Amount	Percentage of total
USE		
Donations	625.2	51.5
Economic plan	512.4	42.2
Payment of debt charges	112.8	9.3
Loans	592.0	48.5
Economic plan	177.0	14.5
Payment of debt charges	222.0	18.2
Bridge loan payment	193.0	15.8
TOTAL	1 217.2	100.0
ORIGIN		
Bilateral	977.0	80.3
America	508.1	41.8
Asia	103.3	8.5
Europe	365.6	30.0
Multilateral	240.2	19.7
Non-financial	64.8	5.3
Financial	175.4	14.4
TOTAL	1 217.2	100.0

B. Aid coordination arrangements

18. The Ministry of External Cooperation (MCE) is in charge of the management, contracting and channeling of external cooperation. To guarantee a greater impact of cooperation, the Ministries of Economy and Development, Finance, and External Cooperation and the World Bank will establish a coordination unit to ensure the national counterpart, render the national budget compatible with the financial flows from cooperation, assure that projects are consistent with development strategy, and maintain monetary policy goals.

19. With a view to bringing national priorities into line with international cooperation standards and participating in the various negotiation processes, such as the Consultative Group, the Paris Club and the Special Plan of Economic Cooperation for Central America (PEC), a national coordination system is being implemented under the Ministry of External Cooperation. The system recognizes three types of participants: the Advisory Council to the Minister, made up of six representatives, one chosen by each of the groups of countries and multilateral organizations active in Nicaragua; the sectoral committees, coordinated by the leading country in the sector; and the specific working committees, charged with designing mechanisms to resolve difficulties that interfere with day-to-day programme execution. Within the different committees, the United Nations agencies will, each according to its special field, provide technical secretariat services. UNDP will take part in the Advisory Council to the Minister.

III. THE COUNTRY PROGRAMME

A. Assessment of ongoing country programme

20. The mid-term review of the fourth country programme (1987-1991) introduced the concept of "areas of concentration" to group projects currently being carried out and link them to the country's political situation, characterized by the transition between the Sandinista Government and that of the Opposition National Union.

21. The results in the first area of concentration, "Pacification and regional integration", included the following: advice to top leadership levels during the transition, with the primary focus on ending the war; cooperation with social and political forces in the formulation of a national concertation strategy aimed at strengthening democracy and reorienting the economic model; and support to the process of reconciliation and national reconstruction, though PEC-sponsored projects which are focused on the population groups and regions affected by the war and which tie emergency care to medium-term institutional, social and production development strategies.

22. In the second area of concentration, "Economic stabilization and external cooperation", it was possible, through advice to the Ministries of the Presidency and of Finance, the Central Bank and officials who took part in the meetings of the Consultative Group, the renegotiation of the debt and the designing of the Stabilization and Structural Adjustment Plan, to develop

coordination and information mechanisms that facilitated economic and fiscal reorganization.

23. The results achieved in the third area of concentration, "Economic revival", related, first of all, to institutional development for encouraging private initiative and rendering it viable. This involved the process of privatization, specifically counsel for the proposed law, the preparation of feasibility studies for privatizing certain enterprises, and the strengthening of the General Board of National Corporations of the Public Sector (CORNAP). Also involved was the definition of the legal framework for the promotion of foreign trade, including the proposed law for the promotion of exports, foreign investments and free-trade zones.

24. In addition, the results in this area concerned sectoral strategies that include indicative plans, proposed investment portfolios and specific projects for technological farming development and the promotion of small and medium-sized enterprises. The strategy for the agricultural sector made it possible to bring together a number of subregional programmes and national projects within the framework of the Regional Unit for Technical Assistance (RUTA) project executed by the World Bank with funds from PEC/UNDP, IDB, Inter-American Institute for Cooperation on Agriculture (IICA) and IFAD.

25. Regarding the fourth area of concentration, "Social development and eradication of poverty", advances were made toward the objective of human development in: (a) the identification of deficits in the areas of health, education, sanitation, nutrition, housing, income and employment; (b) the determination of the institutional capacity for putting Government resources to work and absorbing international cooperation; (c) programming technical assistance with a view to improving managerial capacity, evaluating the cost/benefit ratios of available resources and putting in place programmes for the rationalization of expenditure and the search for new financing.

26. In addition, with a view to carrying out compensatory actions to mitigate the effects of the economic measures, an Emergency Social Investment Fund (FISE), cofinanced by the Governments of Sweden and Norway, was set up jointly with IDB, and support was provided for the Emergency Relief Fund. Also, specific projects focused on the poor and on the more backward areas of the country were identified in the fields of nutrition, health, sanitation, education and employment.

27. In the fifth area of concentration, "Modernization, decentralization and efficiency of public management", the results included the designing of the Management Development Programme for the public sector (MDP), for the institutional improvement of the macro-economic sector and the coordination of the Economic Cabinet, the development of public management models and the strengthening of the National Institute of Public Administration. Also, the documentation base of the National Assembly was computerized, and a process of strengthening the judicial power was initiated.

28. Among the <u>negative factors</u> that affected the execution of the fourth programme, one might mention: operating difficulties stemming from the war; the political polarization; macro-economic disruptions; changes in the

structure of the public sector which altered the relationships with institutional counterparts; the high rate of personnel turnover and the dropping out of technical staff in connection with the reduction of the size of the State, aggravated by the emigration of national professionals; and unforeseen situations arising from a general change in policies.

29. The positive factors that facilitated the execution of the programme included the high receptivity of Nicaragua to United Nations cooperation and the acceptance on the part of the various national actors of the mediation of UNDP in order to facilitate the processes of transition, reconciliation and joint deliberation. The latter included the formulation of recommendations for coping with emergencies and supporting social compensation programmes; the immediate support of UNDP for assuring the continuity of a State management weakened by the transition; the Government's calling upon UNDP to assist in the processes of Central American integration; and the emphasis on the direct execution of projects with a large component of high-technical-level national consultancies (at present more than 50% of the projects are being carried out in accordance with the national-execution approach).

B. Proposals for UNDP cooperation

1. Preparatory process

30. Starting from the approval of the UNDP advisory note in September 1991, talks were initiated at various managerial, technical and social levels, concluding with a meeting between the Ministerial Cabinet and the cooperator community for the purpose of defining a framework for matching cooperation supply and demand. This process included an examination of the Stabilization and Structural Adjustment Plan, the general outlines of the short and medium-term development strategy, and a number of sectoral studies prepared by Government institutions and cooperators to ensure consistency between the country's priorities and the cooperation anticipated for the fifth programme.

31. The Nicaraguan leadership, made up of the Government, the State and civil society, proposed the building of postwar democracy. This supreme objective, which involves advancing toward the goal of human development without poverty, coincides with the ideals of the United Nations and the priorities fixed by the Governing Council of UNDP for the fifth programming cycle.

2. Strategy for UNDP cooperation

32. In addition to the resources available under the IPF, the Government gives prominence to the role of UNDP owing to the relevancy of its mandates and the proven advantages of UNDP cooperation, and in particular: its access to objective, impartial knowledge and to international experience; its political neutrality, which facilitates the promotion of new avenues of coordination among the different sectors and the administration, and new modes of consultation between the State and the social agents of development programmes; its lack of commercial interests; its rapid response to requests; its administrative flexibility; its ability to form interdisciplinary groups

to carry out studies and analyses with a view to facilitating decision-making; the importance which it attributes to strengthening national capacity; and its summoning power with respect to the international community.

33. For these reasons, the Government considers that UNDP cooperation generates the maximum impact in supporting four basic functions: the articulation and integration of strategic policies in priority areas; the design and management of innovative, multisectoral programmes, following the "programme approach"; the strengthening of key institutions in the public sector; and the mobilization of additional resources for the purposes of the central programmes of national policy, using IPF funds primarily as seed capital.

34. Furthermore, it is anticipated that the investment support coming from the United Nations Capital Development Fund (UNCDF) will be important for achieving the objectives established by the Government in the fifth country programme. The financing of projects to meet basic needs, generate income and strengthen the economic infrastructure will be supplemented by other financing sources and assisted technically by UNDP-supported projects, such as those relating to national reconciliation and socio-economic rehabilitation, water and sanitation, and urban community development.

3. Proposed UNDP cooperation in selected areas of concentration

35. The fifth country programme supports the execution of national development strategy in four priority areas:

(a) Consolidation of the rule of law and order and national reconciliation and socio-economic rehabilitation;

(b) Economic stabilization and structural adjustment programme;

(c) Revival of production sectors;

(d) Social development and eradication of poverty.

Consolidation of the rule of law and order and national reconciliation and socio-economic rehabilitation

36. Objective and programmes requiring UNDP collaboration. The supreme objective of the Government, the building of postwar democracy, has a number of indispensable prerequisites: the strengthening of the powers of the State, the creation of conditions that stimulate civic training for the management of civic affairs, and the development of strategies that restore the confidence of the population in the legitimacy of the State as the arbiter of life in society.

37. UNDP cooperation would be directed toward the following components:

(a) Consolidation of the rule of law and order and of democratic institutions and authorities, through: the strengthening and promotion of the

Judicial Power and the enhancement of its dignity, specifically by formulating and carrying out projects for the training of judges, promoting the financing of the physical infrastructure for the operation of courts, and developing proposals to facilitate an increase in the Government resources earmarked for the operation of the judicature; the development of the Electoral Power, in programmes to publish and promote the rights of citizens that constitute the legal framework for the initiatives of civil society, the systematization of National Assembly information bases; the concertation strategy that guides the Executive Power and involves political, union and community organizations with a view to translating agreements into concrete goals; and the involvement of the university and academic world in a process of reflecting on and analysing the obstacles that stand in the way of the consolidation of democracy and in the promotion of cultural campaigns that call for coexistence, fairness and respect for differences as values essential to the civilized interrelation of the different groups that make up society;

(b) Rehabilitation and economic and social development of the population affected by the war, through direct support to the actions included in the National Reconciliation and Socio-economic Rehabilitation Programme (PRN), which provides relief to people and regions affected by the violent aspects of the conflicts. These actions have the following aims: to rebuild the relationship of the target populations with their economic, social and political surroundings through the execution of community projects that transfer the use of technical instruments of information for the purpose of evaluating and discussing their priorities; to facilitate the incorporation of technology and access to means of production so as to make the community effort competitive; to render the local leadership effective in guiding development policies; to improve the general condition and welfare of the population. Institutional development programmes will also be carried out to coordinate the executing capacity of the public entities responsible for meeting the basic needs of those who have been uprooted in areas ravaged by the war.

(c) Support for the process of decentralization and deconcentration of civil service and for the territorial development of the Nicaraguan State. The experience obtained through the PRN must be systematized within the framework of projects providing support to entities such as the Municipal Development Institute for the design of strategies for the transfer of Government resources and the reassignment of public offices to new public and private executors.

38. Impact of cooperation. The impact of the cooperation offered or mobilized by UNDP can be assessed in terms of its contribution to: (a) the development and establishment of an appropriate juridical framework for strengthening the rule of law and order; (b) the consolidation of political and work stability through the institutionalization of economic and social concertation as a mechanism for resolving conflicts; (c) the promotion of programmes and projects of support to public and private institutions and grass-roots organizational forms, deepening and consolidating the process of democratization in the country; (d) the development of technical and policy instruments, operative mechanisms and logistic support for the design, coordination and execution of the PRN in regions affected by the fighting; and

(e) the extension of the process of political and administrative modernization and decentralization through the strengthening of the collection and allocation of resources, both internal and external, and the formulation and execution of development priorities and projects that make possible an active municipal role and broad grass-roots participation.

39. Additional cooperation. The support actions mentioned include the current or anticipated participation of the following sources of cooperation: the United States of America - United States Agency for International Development (USAID), for support to the judicial system, the Electoral Commission, the National Assembly and the Office of the Comptroller General; Germany (GTZ), for information-processing support for electoral records; Canada - Canadian International Development Agency (CIDA), for electoral mapping; Denmark - Danish International Development Agency (DANIDA), for projects connected with the strengthening of the rule of law and order; Italy - Development Programme for Refugees, Returnees and Displaced Persons (PRODERE), the Netherlands, the European Economic Community, the United States, WFP, UNCDF (Laguna de Perlas, with joint financing by the Netherlands); Spain (El Castillo), Norway, Finland and Japan, for projects connected with the socio-economic rehabilitation of the population affected by the war, and UNFPA through the International Organization for Migration (IOM), for compiling population data within the PRN; and USAID, Finland, the United Nations Centre for Human Settlements (Habitat), Spain, Sweden - Swedish International Development Authority (SIDA), Germany and the Friedrich Ebert Foundation, in connection with the decentralization process and the administrative strengthening of the municipal governments.

40. Implementation procedures and financing. For support to the PRN, in view of its high priority and multisectoral character, the "programme approach" will be applied. It is anticipated that cooperation for the other two sub-areas will take place through the project modality. IPF resources allocated to this area amount to $4.5 million, or 21.4% of the IPF. In addition, cost-sharing in the amount of $10.0 million is contemplated.

Economic stabilization and structural adjustment programme

41. Objectives and programmes requiring UNDP collaboration. To supplement the objectives of the Stabilization and Structural Adjustment Plan, the Government has designed a Management Development Programme for entities in the economic sector. Its purpose is to achieve greater rationality and profitability in the use of Government resources.

42. UNDP cooperation will be directed toward the following subprogrammes:

(a) Strengthening of the capacity for managing and coordinating economic policy and the capacity of the ministries and agencies responsible for its implementation, through support to institutional development projects for the Ministries of Finance, Economy and Agriculture and the national financial system, for the purpose of: developing technical information systems required for the formulation, orientation and monitoring of the sector's policies; training human resources; and establishing a civil service structure that will

relate public offices to specific functions arising from the institutional reforms.

(b) Support for the design and execution of the privatization programme, through projects of technical assistance to the Ministries of Finance and Economy and CORNAP, the results of which will make it possible to define a legal framework for transferring the management of the State's commercial and industrial enterprises to the private sector.

(c) Institutional strengthening of the Ministry of External Cooperation (MCE) and of its capacity for project programming, monitoring and evaluation. The objectives of the technical assistance offered by UNDP to MCE, which, owing to the volume and strategic importance of the resources that characterize cooperation with Nicaragua, play a vital role, are focused on four major areas: (i) the foreign debt, by way of support for the renegotiation of the bilateral debt; the designing of a renegotiation strategy, the establishment of a frame of reference for future debts, and the structuring of payment projections; and the conversion of the debt by means of development and environment programmes; (ii) optimization of management and obtainment of new cooperation through non-traditional sources; (iii) the participation of MCE in the Economic Cabinet; and (iv) the implementation of an information system that will facilitate the matching of cooperation supply and demand.

43. Impact of cooperation. The impact of the cooperation offered or mobilized by UNDP can be assessed in terms of the extent to which it contributes toward: (a) strengthening mechanisms of coordination and information and management systems for decision-making and developing political, technical and administrative instruments that make it possible to consolidate economic stability and the structural adjustment process; (b) putting into operation a modern, simplified finance and tax system that is efficient and capable of administering and generating the resources required for financing the development process; (c) strengthening the juridical-normative framework, coordination and execution mechanisms and the development of technical-administrative instruments to speed up the process of privatization while promoting forms of private and cooperative ownership that guarantee ownership rights and the legal framework for the protection of workers; and (d) developing and putting into operation mechanisms of coordination, tecnico-administrative instruments for formulating, executing and evaluating programmes and projects, and measures for optimizing the management of resources derived from external cooperation and needed for reviving and rebuilding the economy.

44. Additional cooperation. The support actions mentioned include the current or anticipated participation of the following sources of cooperation: the World Bank and IDB (credits for economic recovery, with a macro-economic and multisectoral focus), IMF (stand-by programme), USAID, CIDA, GTZ, NORAD and Spain for the coordination of economic policy and the strengthening of governmental capacity for its implementation; IMF, the World Bank, IDB, Banco Centroamericano de Integración Económica (BCIE), USAID and SIDA for the reform and strengthening of the financial system; IDB, SIDA, NORAD, CIDA and USAID for the design and execution of the privatization programme; GTZ, SIDA, NORAD

and USAID for the institutional reinforcement of the Ministry of External Cooperation and for building up its capacity for coordinating and programming the management and monitoring of external resources.

45. Implementation procedures and financing. UNDP cooperation in the area of privatization will involve a number of closely interrelated projects jointly financed by the Government (with funds obtained from NORAD) and other sources, especially IDB and SIDA. For the other two components of this area, the "programme approach" modality referred to in the Management Development Programme will be adopted. The IPF resources allocated to this area amount to $4.0 million, i.e., 17.7% of the IPF. In addition, provision is made for special programme resources (SPR) amounting to $1.0 million for the joint financing of projects specified in the MDP, as well as cost-sharing on the order of $8.0 million.

Revival of the production sectors

46. Objectives and programmes requiring UNDP collaboration. The national objective is to stimulate and broaden the base of private initiative through the creation of a micro-economic environment, the recovery and amelioration of the economic infrastructure, the development of information mechanisms, the promotion of opportunities for private investment, the designing of science and technology programmes, and research on ecological supply, with a view to achieving sustainable development.

47. One of the Government's chief aims is to enhance the competitiveness of rural producers and the informal sector on the foreign and domestic markets, facilitating access to credit and capital goods, improving marketing channels and developing technical-assistance programmes and market-information systems. In this way the popular sectors will be able to participate competitively on the market and contribute to the effort to boost the national product.

48. UNDP cooperation is directed toward the following components:

(a) Design and implementation of policies, strategies and projects to encourage the recovery, diversification, transformation and commercialization of farm production, technical development and the implementation of mechanisms that will energize the export process. UNDP support strategy will have to take into account the coordination of the various projects for boosting production with those intended for the small-business sector, women and vulnerable groups, situating them within territorial development policies firmly founded on comparative advantages and ecological supply.

(b) Support for the design and implementation of the National Programme of the Investment and Foreign Sector by strengthening the Government's so as to improve its capacity for dialogue and negotiation, optimize its role in the international economy, provide assistance for the application of modern technology in exportable production and expand markets.

50. Impact of cooperation. The impact of the cooperation offered or mobilized by UNDP in this area can be assessed in terms of the extent to which it contributes toward: (a) restructuring and institutionally strengthening the

farming sector, generating a capacity to elaborate and execute projects which can be financed with external funds; (b) developing a juridical framework, mechanisms of coordination and technical instruments for promoting exports and foreign investment and the rationalization and management of the import process; and (c) enhancing the planning capacity of the Institute of Natural Resources and Environment and revising and modernizing the laws and decrees that govern environmental conservation and more sustainable development.

51. Additional cooperation. In the area of agriculture and livestock breeding, additional cooperation was provided by: the World Bank and IDB, with sectoral loans; BCIE, with financing for the private sector, including intermediate credit for the creation and modernization of agribusiness enterprises; FAO, primarily through support to the systems of selection, evaluation and analysis of investment projects and programmes, the designing of a strategy and farming policies, technology generation and transfer and food security; the RUTA project, in the development of farming policies and programmes; IICA, in institutional development and technology generation and transfer; IFAD, through BCIE, in integrated rural development for the poorest peasants and peasant women; SIDA, in agroforestry development and rational forest exploitation; WFP and FINNIDA, in the field of dairy development and natural resource conservation; EEC, in small-scale fishing, agricultural and livestock exports and integrated rural development; the Government of Switzerland - Swiss Cooperation for Development (COSUDE), in research and technology transfer in the field of agriculture and livestock breeding; DANIDA, in integrated rural development; the Netherlands, in technological and commercial development to promote national production, and in the area of peasant women in development; CIDA, in the training of technical human resources; USAID, in natural resource management; and the Government of the United Kingdom, in the acquisition of farm equipment and fertilizers.

52. And in the area of foreign trade and investment: IDB, within the framework of the "Americas Initiative", with loans to improve the investment climate, in the small-business area, and with a non-selective line of credit through efficient commercial banking; BCIE, in industrial revival, exportation of non-traditional products, pre-investment financing, shipping, post-shipping and marketing, and support for small and medium-sized enterprises; SIDA, NORAD and Germany, in the joint financing of part of the national foreign-trade and investment programme; USAID, in the promotion of non-traditional exports; and PEC/UNDP, through the Central American Monetary Stabilization Fund in the area of industrial conversion and in the Uruguay Round negotiations.

53. Implementation procedures and financing. The "programme approach" will gradually be applied in the farming sector. Use will also be made of this modality in the domain of foreign trade and investment, in which advantage will be taken of the recent inter-agency mission which collaborated in the framing of a national programme in that domain. The IPF resources allocated to the area amount to $4.5 million, or 21.4% of the IPF. In addition, provision is being made for Global Environment Facility (GEF) funds in the amount of $2.0 million and cost-sharing amounting to $10.0 million.

Social development and eradication of poverty

54. Objectives and programmes requiring UNDP collaboration. The Government's objective is to bring about a human development process that will render the popular sectors capable of directing strategies aimed at the growth and recovery of the competitiveness of the national economy. The percentage of public spending that goes to required services, chiefly education and health, compares favourable with that of other countries in the subregion, even in absolute terms. However, efficacy and efficiency levels must be increased if one is to overcome the acute shortfalls. In other areas, such as the improvement and generation of income, new technologies and programmes must be introduced to increase the likelihood of satisfying the basic needs of the majority of the country's poor population.

55. UNDP cooperation in support of the Government's programmes and actions in this area is made up of the following components:

(a) Support for management development in integrated social programmes so as to make it possible to measure the evolution of quality-of-life indices, rationalize public spending, bring the supply and demand of services into focus, and coordinate the making of investments and the operation of the different organizations in the sector, permitting grass-roots participation within a perspective of guaranteeing an integral presence of the State within national territory.

(b) Support to the design and implementation of sectoral plans, so as to render feasible the introduction of new technology that will increase the social profitability of the financial resources used for satisfying the basic needs of the population.

(c) Community projects for the transfer of technical instruments for the planning, administration and making of investments and the rendering of services, combining aspects such as productive employment, water and sanitation, nutrition, health, education and housing. Such projects must facilitate the interaction of local organizations with the compensatory programmes, and also with development programmes financed with both national and external-cooperation resources. The strategic goal of grass-roots participation is to render viable a system of transfer of resources and reassignment of functions and duties to new territorial and private executors with a view to consolidating the policy of decentralization and deconcentration of civil service, developing the capacities of local organizations.

56. Impact of cooperation. The impact of the cooperation offered or mobilized by UNDP in this area can be assessed in terms of the extent to which it contributes toward: (a) establishing the requisite institutional mechanisms and technical instruments for the formulation, follow-up and evaluation of social policies; (b) rationalizing expenditure as a function of human development; (c) focusing these programmes on the poorest segments of the population, including those actions aimed at adjustment compensation; (d) setting up management systems in the institutions of the social sector and transforming these institutions into planning and decentralizing bodies;

(e) designing and putting in place a national system of social indicators to facilitate decision-making and the ongoing evaluation of social development programmes; and (f) increasing community participation in the national development process.

57. Additional cooperation. In the area of social programme management, PEC/UNDP, the World Bank, IDB, USAID, NORAD, SIDA, the World Health Organization (WHO)/PAHO and Unesco; in bringing social expenditure into focus, the World Bank, IDB, UNICEF, PAHO/WHO, UNFPA and USAID. Other support actions include the present and expected participation of the following cooperation sources: the World Bank and IDB, with credits for sectoral adjustment, water and sanitation, rural primary education and the Emergency Social Investment Fund; BCIE, with non-repayable financing for pre-investment studies for rural housing and projects for vocational schools and the rehabilitation of health units; WFP, in the area of supplementary food and integral care of children of pre-school age and particularly vulnerable groups; UNICEF, in basic health, water and sanitation, infant survival, nutrition, rural education, immunization, care of women and community organization; UNFPA, in maternal and child health and family planning, education in the field of population and the population census and housing; UNCDF, the area of water and sanitation; WHO/PAHO, in local health systems, basic sanitation, prevention of acquired immune deficiency syndrome (AIDS), malaria and cholera, maternal and child health and family planning, immunization, nutrition, distribution of essential drugs and maintenance of hospital equipment; Unesco and the Netherlands, in curriculum reform; IAEA, in radiography projects; United Nations Centre for Human Settlements (Habitat), in the field of human settlements; and PEC/UNDP, in the areas of water and sanitation, human development and management of social services (social "RUTA").

58. Further additional cooperation: NORAD, in basic and maternal and child health and AIDS prevention; USAID, in curriculum development, adult education, teacher training, water and sanitation, maternal and child health and health education; SIDA, in basic and maternal and child health, AIDS prevention, credits in marginal urban and rural areas, and support to the Emergency Social Investment Fund; FINNIDA, in the prevention of malaria, acute respiratory diseases, rehabilitation of disabled persons and maintenance of hospital equipment; Italy, in the building of health infrastructures, equipment and supplies; the Netherlands, in sukpport to small enterprises and the informal sector, labour training and literacy; DANIDA, in basic medicine, drinking water and human resources training; and Germany (KFW), the United Kingdom and COSUDE, in providing support to the Emergency Social Investment Fund.

59. Implementation procedures and financing. UNDP cooperation in the social area is to be implemented through the "programme approach", integrating components such as social policy, a national programme of productive urban communities, institutional strengthening, etc. The resources allocated to this area under the IPF amount to $5.0 million, or 25.1%. Cost-sharing of $12.0 million is also anticipated.

C. Cooperation outside selected areas of concentration

60. This area is to include the collaboration of the United Nations International Drug Control Programme (UNDCP), in coordination with UNDP, in the design and execution of a programme against the illegal drug traffic. In addition, an improvement in the statistical system is called for, based on the design and joint funding of, and the mobilization of the necessary resources for, various surveys and the National Population and Housing Census (jointly with UNFPA). With the cooperation of the Office of the United Nations Disaster Relief Coordinator (UNDRO), support will be provided for strengthening the National Emergency Prevention and Management System with IPF resources and UNDP special programme resources. The IPF resources set aside for possible projects not directly connected with the four areas of concentration total $1.9 million, or 10.0% of the IPF, with $8.1 million in cost-sharing.

D. Implementation and management arrangements

61. The experience obtained in the review of the fourth programme shows the advantages of systematizing a "programme approach" that brings together the efforts of the Government and the cooperator community within a global perspective incorporating various components of institutional modernization and the formulation and execution of policies, plans and projects.

62. There exist topics that correspond to an integral approach in each of the areas of concentration, including those of reconciliation and national rehabilitation, management development in the public sector (macroeconomic), the investment programme for the farming sector, promotion of investments and foreign trade, and the area of social development. The UNDP office in Nicaragua will analyse, together with the Government, the programme approach alternatives identified, in order to propose a strategy that will make it possible to match the demand for external cooperation with the supply.

63. At the same time, the Government recognizes the importance of UNDP cooperation being implemented through the modality of national execution, with national technical capacity being supplemented by the technical collaboration of international consultants from the agencies of the United Nations system or other excellence centres whenever the requisite know-how and experience do not exist within the country.

64. Lastly, UNDP will make available to the Government of Nicaragua its installed capacity and the various mechanisms established for the acquisition of international and national goods and services through instruments such as the management services agreements (MSA). Also, advantage will be taken of the various lower-cost cooperation alternatives that may help to optimize available resources, such as the United Nations Volunteers Programme, United Nations International Short-term Advisory Resources (UNISTAR) and Technical Co-operation among Developing Countries (TCDC), especially with Latin American countries.

Annex I

FINANCIAL SUMMARY

I. ESTIMATED RESOURCES (IPF + cost-sharing) TAKEN INTO ACCOUNT FOR PROGRAMMING

	(Thousands of dollars)	
Carry-over from fourth cycle IPF	(2 000)	
Fifth cycle IPF	21 700	
Subtotal IPF		19 700 a/
Project cost-sharing (Government)	16 000	
Project cost-sharing (Third party)	32 000	
Programme cost-sharing	-	
Subtotal cost-sharing		48 100
TOTAL		67 800

II. ALLOCATION OF RESOURCES (IPF + cost-sharing) BY AREA OF CONCENTRATION

Area of concentration	IPF	Cost-sharing	Total	Percentage of total resources
I. Reconciliation	4 500	10 000	14 500	21.4
II. Macroeconomic area	4 000	8 000	12 000	17.7
III. Revival	4 500	10 000	14 500	21.4
IV. Social area	5 000	12 000	17 000	25.1
Subtotal	18 000	40 000	50 000	85.5
Unprogrammed reserve	1 700	8 100	9 800	14.5
TOTAL	19 700	48 100	67 800	100.0

a/ Refers to the IPF of $21.7 million less the negative carry-over from the IPF of the fourth cycle, i.e., approximately $2 million. This figure represents an increase of $8.06 million over the current IPF of the fifth cycle, i.e., $13 646 million. The new IPF is based on preliminary information received from the World Bank, reflecting a revised per capita income for 1989 of $610. The final revised per capita income figure for Nicaragua might be lower than this figure. Consequently, the IPF may be different. The final IPF figure is subject to review by the Governing Council of UNDP with respect to its allocation.

III. COMPLEMENTARY ASSISTANCE FROM OTHER SOURCES USED IN AREAS OF CONCENTRATION

(Thousands of dollars)

A. UNDP-administered funds		
SPR	1 160 a/	
UNCDF	8 000 b/	
UNSO	-	
UNIFEM	Not available	
UNRFNRE	-	
UNFSTD	-	
Global Environment Facility	2 000	
Subtotal		11 160
B. Other United Nations resources		
JCGP participating agencies		
UNFPA	4 000	
UNICEF	5 000	
WFP	45 000	
IFAD	Not available	
Other United Nations agencies (non-UNDP financed)	Not available	
Subtotal		54 000
Total non-core and other United Nations resources		65 160
C. Non-United Nations resources		3 709 c/
TOTAL		68 869

a) MDP: $1 000 000; SMF/LDC: $160 000.

b) Depends on the results of the programming missions and the available of UNCDF resources.

c) Unofficial preliminary figure according to Ministry of External Cooperation source.

Annex II

PROGRAMME MATRIX

	Area of concentration	Area of focus a/					
		Poverty eradication and grass-roots participation	Environment and natural resource management	Management development	TCDC	Transfer and adaptation of technology	WID
I.	RULE OF LAW AND ORDER AND NATIONAL RECONCILIATION						
	1. Strengthening the rule of law and order and democratic institutions and authorities	x		x	x		x
	2. Rehabilitation and economic and social development of populations affected by the war	x	x	x	x	x	x
	3. Decentralization, deconcentration and territorial development	x	x	x	x	x	x
II.	ECONOMIC STABILIZATION AND STRUCTURAL ADJUSTMENT PROGRAMME						
	1. Economic policy			x	x		
	2. Privatization	x	x	x	x		
	3. External cooperation	x		x	x		
III.	REVIVAL OF PRODUCTION SECTORS						
	1. Rehabilitation and development of farming	x	x	x	x	x	x
	2. Foreign sector and investments	x	x	x	x	x	x
IV.	SOCIAL DEVELOPMENT AND ERADICATION OF POVERTY						
	1. Sectoral management development	x		x	x		x
	2. Sectoral plans	x	x	x	x	x	x
	3. Specific projects	x	x	x	x	x	x

a/ Asterisks indicate major linkage only.